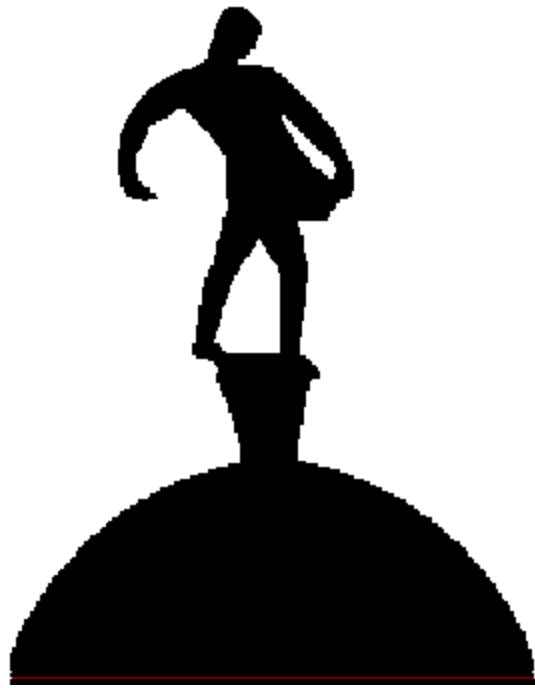


Appropriations Committee Preliminary Report



February 2014

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Overview

This report provides a projection of the state's General Fund financial picture for the current biennial budget, FY2013-14 and FY2014-15, and the following biennium, FY2015-16 and FY2016-17. The report aims to assist the Legislature with its fiscal planning as it begins to consider 2014 revenue and spending adjustments.

The projections for the current biennium incorporate (1) the October 2013 revenue forecasts of the Nebraska Economic Forecasting Advisory Board, (2) appropriations as enacted in the 2013 legislative session, and (3) the Appropriations Committee preliminary budget adjustments.

The projections for the following biennium incorporate revenue forecasts based on a historical average methodology as calculated by the Legislative Fiscal Office (see page 9), projected budget increases based on historical average increases and formula driven estimates for specific areas, and the annualized and on-going impacts of actions taken in the 2013 legislative session and the Committee Preliminary budget. All such estimates are based on existing law in particular the TEEOSA school aid formula.

Note that the Nebraska Economic Forecast Advisory Board (NEFAB) is scheduled to meet February 28, 2014 to review their existing forecasts. Changes in those forecasts could have an impact on the projected status as shown in this report.

General Fund Financial Status

Since Sine Die of the 2013 Legislative Session, the financial picture for the current biennium (FY14 / FY15) has actually improved. At Sine Die, the variance from the minimum General Fund reserve (commonly referred to as the surplus or shortfall) was estimated to be only \$1.0 million. The current estimate is a positive \$36.8 million. This incorporates higher revenue forecasts and lapse of unexpended prior year appropriations, offset by midbiennium budget

Changes in the Financial Status – Current Biennium				
Millions of Dollars	FY13	FY14	FY15	Total
Variance - Sine Die 2013				1.0
Change in actual / revised forecasts	52.4	46.3	17.7	116.3
Above forecast receipts to Cash Reserve	0.0	(52.4)	(46.3)	(98.7)
Lapse, FY13 unexpended appropriations	0.2	34.8	0.0	35.0
Exclude allocation for deficits	0.0	5.0	0.0	5.0
Committee Prelim - Midbiennium Changes	0.0	7.7	(6.9)	0.8
Committee Prelim - TEEOSA at current law	0.0	0.0	40.3	40.3
Allocation for Post Hearing Adjustments	0.0	(5.0)	(49.0)	(54.0)
State Claims (est)	0.0	(1.2)	0.0	
Transfers-in, Medicaid False Claims Cash Fund	0.0	0.0	6.8	6.8
Change in reserve, accounting adjustment	(5.4)	0.0	(9.1)	(14.5)
Variance – Committee Preliminary Budget				36.8
For expenditure items, a positive number indicates lower expenditures which are a positive addition to the variance from the minimum reserve.				

adjustments as proposed by the Appropriations Committee including significant increase in state funds to offset a lower federal Medicaid match rate. In the financial status a decrease in the previous estimate for FY2014-15 TEEOSA school aid has been offset with an amount included in an allowance for post hearing adjustments.

Actual and projected revenues have increased by \$116 million since Sine Die 2013. Actual receipts for FY2013-14 were \$52.4 million above forecast. In October 2013, the FY13-14 and FY14-15 forecasts were revised by the Nebraska Economic Forecast Advisory Board by a total of \$64 million; \$46.3 million in FY13-14 and \$17.7 million in FY14-15.

Both the FY12-13 and FY13-14 additional revenues are considered “above the certified forecast” and under current law are (or will be) required to be transferred to the Cash Reserve Fund. The FY14-15 forecast won’t be certified until the start of that fiscal year, therefore the \$17.7 million increase in the forecast for FY14-15 would be retained in the General Fund. The increased forecast amounts not transferred to the Cash Reserve Fund and lapse of unused FY12-13 appropriations are mostly translated into a more positive variance from the minimum reserve.

The projected financial status for the **following biennium** also appears to be balanced. The current financial status (with the Committee preliminary budget adjustments and allocation for post hearing adjustments) yields a projected balance that is \$109 million above the minimum reserve. Note that this assumes no use of the \$38 million that is above the minimum reserve for the current biennium.

Revenue growth in the next biennium is projected at 5.3% per year average using the capped historical average methodology (see page 9). This methodology is used in the absence of an official forecast. This is slightly above the historical average in light of the 4.7% average of the preceding three years.

Calculation of the projected budget for the following biennium is shown in Appendix C. The projected budget increases are based on historical increases for specific areas and existing law in particular the TEEOSA school aid formula. The net result of the item by item calculation is an overall spending growth of 5.5% in FY15-16, 4.1% in FY16-17 for a two year average of 4.8%. These calculations do not include the annualized impacts of 2014 budget actions which are shown separately on the financial status.

Available for Legislative Bills

The current financial status (with the Committee preliminary budget adjustments and allocation for post hearing adjustments) yields a projected balance that is \$36.8 million above the minimum reserve for the current biennium. For the following biennium the projected balance is \$109 million above the minimum reserve based on estimated revenue and spending levels noted above and discussed elsewhere in this report. These amounts constitute what is available for A bills or revenue reduction bills.

The \$36.8 million amount in FY2014-15 would use \$110 million over the three year period if used for on-going items and the variance for the following biennium would decline from \$109 million to approximately \$1 million below the minimum reserve. Based on current estimates this \$36.8 million would be mostly sustainable for on-going funding items through June 30, 2017. Anything more than the \$36.8 million would likely come from use of Cash Reserve Fund monies. If they funds were used for on-going items, this would result in a projected status under the minimum reserve as the Cash Reserve Fund monies would be a one-time revenue source.

Cash Reserve Fund

The projected unobligated balance in the Cash Reserve Fund is currently estimated to be \$725.7 million at the end of FY2014-15. This consists of the current \$679.4 million unobligated balance plus \$46.3 million which would be transferred to the Cash Reserve Fund but only if actual receipts for FY14 actual receipts exceed the certified forecast.

The relatively high balance in the Cash Reserve Fund (CRF) raises the question as to whether this balance too high and should be reduced and if so in what manner and by how much? A more detailed discussion of this issue and an analysis to quantify a dollar level is provided on page 8.

Mid-Biennium Appropriation Changes

Over the two year period, the Appropriations Committee preliminary budget adjustments actually reduce appropriations by \$41 million. This consists of \$26.8 million of increased appropriations and \$68 million of reductions. Of the significant increases, \$17 million is due to a decline in the federal Medicaid match rate. Of the significant reductions, \$40.2 million relates to reducing FY15 funding for TEEOSA from the estimated level included in the budget last spring to the level that would be certified under current law. Another significant reduction is in Homestead Exemption reimbursement, \$12.5 million over the two years. Like TEEOSA this is the difference between the estimated amount that was included in the budget enacted last spring and the actual reimbursement amount under current law.

The committee also includes an allocation for post hearing adjustments totaling \$54 million. This amount approximates (a) the dollar amount that the Governor included in his recommendation for various corrections related issues (\$5 million in FY14, \$13 million in FY15) and (b) the dollar amount of LB725 which modifies the TEEOSA formula to "recapture" part of the reduction in the budgeted TEEOSA amount due to the current law actual amount being less than the Sine Die 2013 estimate. This totals \$36 million in FY15 per the original bill.

Note that the committee did not make any specific recommendation regarding either of these items but wanted to leave a similar dollar amount for subsequent consideration.

Committee Preliminary Budget Adjustments (Gen Fund)	FY2013-14	FY2014-15	2 Yr Total
Significant Increases	2,283,864	24,502,677	26,786,541
Significant Reductions	(10,100,000)	(57,977,271)	(68,077,271)
All Other	71,395	159,294	230,689
Total Committee Preliminary (specific items)	(7,744,741)	(33,315,300)	(41,060,041)
Allocation for Post Hearing Adjustments	5,000,000	49,000,000	54,000,000
Total General Funds per Financial Status	(2,744,741)	15,684,700	12,939,959

Differences Between the Committee and Governor

With respect to adjustments to the previously enacted appropriations for the current biennium, the Appropriations Committee proposed changes are \$47.4 million below the Governors recommendation over the two year period. Much of this difference is in Corrections items and TEEOSA state aid. However, the committee's allocation for post hearing adjustments was derived based on the amounts related to these two items so when the post hearing allocation is included, the overall budget adjustment amount is very similar to the Governors proposed budget.

Differences: Committee and Governor	FY2013-14	FY2014-15	Two Yr Total
Governors recommendation	(2,273,513)	8,676,070	6,402,557
Committee Preliminary	(7,744,741)	(33,315,300)	(41,060,041)
Difference in Specific Items	(5,471,228)	(41,991,370)	(47,462,598)
Allocation for Post Hearing Adjustments	5,000,000	49,000,000	54,000,000
Difference with Post Hearing Allocation	(471,228)	6,008,630	5,537,402
Major Differences by Item			
Reduce ACA behavioral health contingency set aside	0	10,000,000	10,000,000
Judges' Retirement Contributions - General Fund offset	0	709,383	709,383
State Auditor-Restore Appropriations	176,669	176,669	353,338
TEEOSA state aid, Jan update rather than Nov letter	0	(40,254,527)	(40,254,527)
Corrections-Inmate capacity issues	(1,409,625)	(7,709,149)	(9,118,774)
Corrections-Inmate medical expenses	(3,200,000)	(3,400,000)	(6,600,000)
Corrections-Inmate per diem expenses	(950,000)	(1,050,000)	(2,000,000)
State Patrol-Medical cost payment, Regional West Medical Center	(100,000)	0	(100,000)
All Other (net)	11,728	(463,746)	(452,018)
Difference in Specific Items	(5,471,228)	(41,991,370)	(47,462,598)
Allocation for Post Hearing Adjustments	5,000,000	49,000,000	54,000,000
Difference in General Fund adjustments	(471,746)	6,008,630	5,537,402

The following table compares the variance from minimum reserve under the Committee Preliminary Budget and the Governors Recommendation. In the current biennium, the amounts are relatively the same. The Governor was higher in TEEOSA as the final "current law" number was not yet available and higher in other items, mostly corrections related. These are mostly offset by the Committee's inclusion of an allocation for post hearing adjustments. The committee financial status shows more available mostly due to the on-going lower TEEOSA number versus the one-time allocation for post hearing adjustments.

(Millions of dollars)	FY14	FY15	Current Biennium	FY14	FY15	Following Biennium
Committee Preliminary Budget			\$36.8			\$109.4
Governor: Higher on Other Specific Items	(5.5)	(1.7)	(7.2)	2.9	2.9	(1.5)
Governor: Higher in TEEOSA	0.0	(40.3)	(40.3)	(42.1)	(42.4)	(124.7)
Governor: Lower on Post Hearing Adjustments	5.0	49.0	54.0	13.0	13.0	80.0
Governor Recommendation			\$43.3			\$63.2

General Fund Financial Status

Appropriations Committee Preliminary Budget

	Current Yr FY2012-13	Biennial Budget		Following Biennium	
		FY2013-14	FY2014-15	FY2015-16	FY2016-17
1 BEGINNING BALANCE					
2 Beginning Cash Balance	498,526,356	814,678,170	325,512,606	282,622,241	283,574,795
3 Cash Reserve transfers-automatic	(104,789,781)	(285,292,610)	(46,313,000)	0	0
4 Carryover obligations from FY13	0	(259,952,427)	0	0	0
5 Lapse FY12 / FY13 reappropriations	0	21,392	0	0	0
6 Allocation for potential deficits	0	0	(5,000,000)	(5,000,000)	(5,000,000)
7 Unobligated Beginning Balance	393,736,575	269,454,525	274,199,606	277,622,241	278,574,795
8 REVENUES					
9 Net Receipts (Oct 2013 NEFAB+Hist Avg)	4,047,001,258	4,067,000,000	4,175,000,000	4,367,000,000	4,628,000,000
10 General Fund transfers-out (current law)	(114,700,000)	(121,300,000)	(116,800,000)	(117,050,000)	(117,050,000)
11 General Fund transfers-in (current law)	in forecast	in forecast	in forecast	0	0
12 Cash Reserve transfers (current law)	78,000,000	(53,000,000)	0	0	0
13 2014 Cash Reserve transfers	0	0	0	0	0
14 2014 General Fund transfers-out	0	0	0	0	0
15 2014 General Fund transfers-in	0	0	6,800,000	0	0
16 2014 Revenue Bills	0	0	0	0	0
17 General Fund Net Revenues	4,010,301,258	3,892,700,000	4,065,000,000	4,249,950,000	4,510,950,000
18 APPROPRIATIONS					
19 Appropriations (2013 Session)	3,589,359,663	3,838,168,907	4,040,892,665	4,040,892,665	4,040,892,665
20 Projected budget increases, following biennium	--	--	--	220,641,267	393,661,361
21 Committee Prelim - Midbiennium Changes	0	(7,744,741)	6,939,227	11,542,041	11,542,041
22 Committee Prelim - TEEOSA at current law	0	0	(40,254,527)	(42,078,527)	(42,359,845)
23 2014 State Claims	0	1,217,753	0	0	0
24 2014 "A" Bills	0	0	0	0	0
25 Allocation for Post Hearing Adjustments		5,000,000	49,000,000	13,000,000	13,000,000
26 General Fund Appropriations	3,589,359,663	3,836,641,919	4,056,577,365	4,243,997,446	4,416,736,222
27 ENDING BALANCE					
28 Dollar ending balance (per Financial Status)	814,678,170	325,512,606	282,622,241	283,574,795	372,788,573
29 Dollar ending balance (at Minimum Reserve)			245,847,744		263,403,560
30 Excess (shortfall) from Minimum Reserve			36,774,497		109,385,012
31 Biennial Reserve (%)			3.5%		4.3%
<u>General Fund Appropriations</u>					
32 Annual % Change - Appropriations (w/o deficits)	4.7%	5.7%	5.7%	4.6%	4.1%
33 Two Year Average	3.3%	--	5.7%	--	4.3%
<u>General Fund Revenues</u>					
34 Est. Revenue Growth (rate/base adjusted)	6.7%	3.4%	4.0%	5.3%	5.4%
35 Two Year Average	6.1%	--	3.7%	--	5.3%
36 Unadjusted change over prior year	9.6%	0.4%	2.7%	4.6%	6.0%
37 Unadjusted Two Year Average	7.6%	-	1.5%	-	5.3%
38 <u>On-Going Revenues vs Appropriations</u>	217,941,595	109,058,081	8,422,635	5,952,554	94,213,778

CASH RESERVE FUND	FY2012-13	FY2013-14	FY2014-15	FY2015-16	FY2016-17
Projected Unobligated Ending Balance	384,121,401	679,398,552	725,711,552	725,711,552	725,711,552

Cash Reserve Fund

The Cash Reserve Fund (CRF) is not included as part of the "General Fund Reserve" (which is the ending General Fund balance for a biennium) and was created as a separate and distinct fund to cover cash flow needs within a month or several month period. The Cash Reserve Fund also serves as a "rainy day fund" in that revenues in excess of a "certified forecast" are transferred from the General Fund to Cash Reserve fund at the end of a fiscal year. As the certified forecast is basically the revenue estimate at Sine Die when the budget is finalized, these transfers sequester revenues in excess of that which is needed to balance the budget. The Cash Reserve Fund unobligated balance at the end of the current FY14/FY15 biennium is projected at \$726 million.

The Appropriations Committee preliminary budget does not include any use of the Cash Reserve Fund beyond what is scheduled under current law.

Table 1 Cash Reserve Fund

	Actual FY2012-13	Estimated FY2013-14	Estimated FY2014-15	Estimated FY2015-16	Estimated FY2016-17
Beginning Balance	428,878,372	384,121,401	679,398,552	725,711,552	725,711,552
Excess of certified forecasts	104,789,781	285,292,610	46,313,000	0	0
To Gen Fund per current law	(78,000,000)	53,000,000	0	0	0
To Nebr Capital Construction Fund (NCCF)	(80,000,000)	(43,015,459)	0	0	0
To Affordable Housing Trust fund	(1,000,000)	0	0	0	0
Repayment of Water Contingency transfer	4,991,572	0	0	0	0
EPIC cash flow transfers (LB379-2011)	4,461,676	0	0	0	0
2014 Session Transfers	0	0	0	0	0
Ending Balance	384,121,401	679,398,552	725,711,552	725,711,552	725,711,552

Excess of Certified Forecasts

Shown on line 3 of the Financial Status, revenues in excess of "certified" forecasts are required by statute to be transferred from the General Fund to the Cash Reserve Fund. These would take place in July of the fiscal year following completion of that year. The \$104,789,781 transfer in FY13 reflects the amount the FY2011-12 actual receipts were above certified. The \$285,292,610 million in FY2013-14 reflects the amount that the FY2012-13 exceeded the July certified level.

The \$46,313,000 million in FY2014-15 reflects the amount that the current revenue forecast (\$4,067,000,000) exceeds the July certified level (\$4,020,687,000). The certified forecast is the estimate at Sine Die 2013 when the FY2013-14 budget was enacted. Note that these amounts are included in the \$725.7 million estimated unobligated fund balance but are not yet "cash in the bank".

Transfers-To & From General Fund

Unlike the automatic transfers that occur after the close of the fiscal year and are statutorily required, other transfers can take place as specifically enacted by the Legislature. Transfers in FY2012-13 under existing law include LB 379-2011 (\$68,000,000) and LB131-2012 (\$10,000,000) to assist in balancing the budgets in those respective sessions. In the 2013 session, a \$53 million transfer from the General Fund to the Cash Reserve Fund was enacted in LB199. This transfer was the amount of the increased April 2013 revenue forecasts for FY13-14 and FY14-15 and was proposed by the Appropriations Committee after the Forecast Board meeting.

<u>Transfers to/from the General Fund</u>	<u>FY2012-13</u>	<u>FY2013-14</u>	<u>FY2014-15</u>	<u>FY2015-16</u>	<u>FY2016-17</u>
To General Fund, LB 379-2011	(68,000,000)	0	0	0	0
To General Fund, LB131-2012	(10,000,000)	0	0	0	0
From General Fund, LB199-2013	0	53,000,000	0	0	0
Net Transfers to/From General Fund	(78,000,000)	53,000,000	0	0	0

Transfers To & From Other Funds

In the 2008 session, LB1094 provided for a \$9 million transfer to the Water Contingency Cash Fund for the purpose of paying water right holders who agreed to lease and forgo water use to assist in the management, protection and conservation of the water resources of river basins, but remain unpaid due to litigation. Repayment by the NRD receiving said funds is required once the litigation is resolved no later than FY2012-13. The amount used was \$8.5 million and is being repaid over two years, \$3.6 million in FY12 and \$4.99 million in FY13.

Also LB379-2011 allowed transfers to be made to the Ethanol Production Incentive (EPIC) Fund for cash flow purposes. A total of \$4,461,676 was borrowed in FY2011-12 with repayment shown in FY2012-13.

In the 2012 session there were two transfers made to other funds. The first is a \$1 million transfer to the Affordable Housing Trust Fund which followed from notice of an amount to be credited from the National Mortgage Settlement. The second is an \$80 million transfer to the Nebraska Capital Construction Fund (NCCF) for five different capital construction projects as shown below.

State Colleges - Chadron Armstrong Gym	\$6,700,000
State Colleges - Peru Oak Bowl improvements	7,500,000
University of Nebraska - UNK Allied Health	15,000,000
University of Nebraska - UNMC Cancer Research tower	50,000,000
DAS - Centennial Mall project	800,000
Transfers to NCCF	<u>80,000,000</u>

In the 2013 session, \$43 million was transferred from the Cash Reserve Fund to the Nebraska Capital Construction Fund in FY13-14 for construction of a new Central Nebraska Veterans Home to replace the existing facilities.

Analysis of the Level of Cash Reserve Fund Balance

The relatively high balance in the Cash Reserve Fund (CRF) raises the question; is this balance too high? Should the balance be reduced and if so in what manner and by how much? To try and address the issue of what should the balance be, we first look at what is the purpose of the

Table 2 Variance from Revenue Projections

Millions of \$	Projected Sine Die	Actual Receipts	\$ Variance	% Variance	
				Negative	Positive
FY 1986-87	878.0	886.4	8.4		1.0%
FY 1987-88	924.3	1,016.3	92.0		10.0%
FY 1988-89	988.4	1,133.5	145.1		14.7%
FY 1989-90	1,110.9	1,152.7	41.8		3.8%
FY 1990-91	1,334.6	1,367.1	32.5		2.4%
FY 1991-92	1,493.2	1,490.4	(2.8)	-0.2%	
FY 1992-93	1,537.3	1,524.7	(12.6)	-0.8%	
FY 1993-94	1,662.5	1,653.7	(8.8)	-0.5%	
FY 1994-95	1,729.9	1,706.0	(23.9)	-1.4%	
FY 1995-96	1,834.3	1,836.7	2.4		0.1%
FY 1996-97	1,918.0	2,009.6	91.6		4.8%
FY 1997-98	1,993.8	2,105.4	111.6		5.6%
FY 1998-99	2,102.9	2,123.9	21.0		1.0%
FY 1999-00	2,326.3	2,403.9	77.6		3.3%
FY 2000-01	2,484.3	2,456.8	(27.5)	-1.1%	
FY 2001-02	2,646.0	2,365.5	(280.5)	-10.6%	
FY 2002-03	2,725.7	2,456.4	(269.3)	-9.9%	
FY 2003-04	2,732.0	2,718.7	(13.3)	-0.5%	
FY 2004-05	2,775.5	3,037.2	261.7		9.4%
FY 2005-06	3,092.3	3,352.2	259.9		8.4%
FY 2006-07	3,217.0	3,408.3	191.4		5.9%
FY 2007-08	3,389.2	3,506.1	116.9		3.5%
FY2008-09	3,531.7	3,357.5	(174.3)	-4.9%	
FY2009-10	3,446.7	3,204.7	(242.0)	-7.0%	
FY2010-11	3,422.2	3,499.7	77.4		2.3%
FY2011-12	3,591.1	3,695.9	104.8		2.9%
FY2012-13	3,767.1	4,052.4	285.3		7.6%
FY2013-14 est	4,020.7	4,067.0	46.3		1.2%
FY2014-15 est	4,175.0	?	?	?	?
FY2015-16 est	4,367.0	?	?	?	?
FY2016-17 est	4,628.0	?	?	?	?
FY2017-18 est	na	?	?	?	?
Avg Variance				-4.4%	5.0%

Cash Reserve Fund. The major purpose of the fund is to provide protection against forecast errors. Monies are accumulated in the CRF when receipts exceed certified forecast levels and are then available to offset instances when receipts are below forecasts.

The level of “protection” or in other words the level of funds to retain in the Cash Reserve fund, can be derived by looking at historical variances. Table 3 shows the level of variance from revenue forecasts from FY87 through FY13 (27 years). The variance is derived by comparing forecasts at Sine Die of the legislative session when the budget was enacted and actual receipts which are known anywhere from 13 to 15 months later. Over the 27 year period the average negative variance is -4.4%. Almost as significant is the clustering of the negative and positive variances. It can be seen visually that they cluster in groups of 3 to 4 years.

For simplicity, using a 4% negative variance clustered for four consecutive years would require a balance equal to about 16% of annual net receipts. Applied to the four years of the current “savings” cycle that began in FY11 yields a dollar balance of \$643 million based on projected revenue in FY13-14. Applied to the average forecast from FY15 to FY17 the target balance would be \$702 million

General Fund Revenues

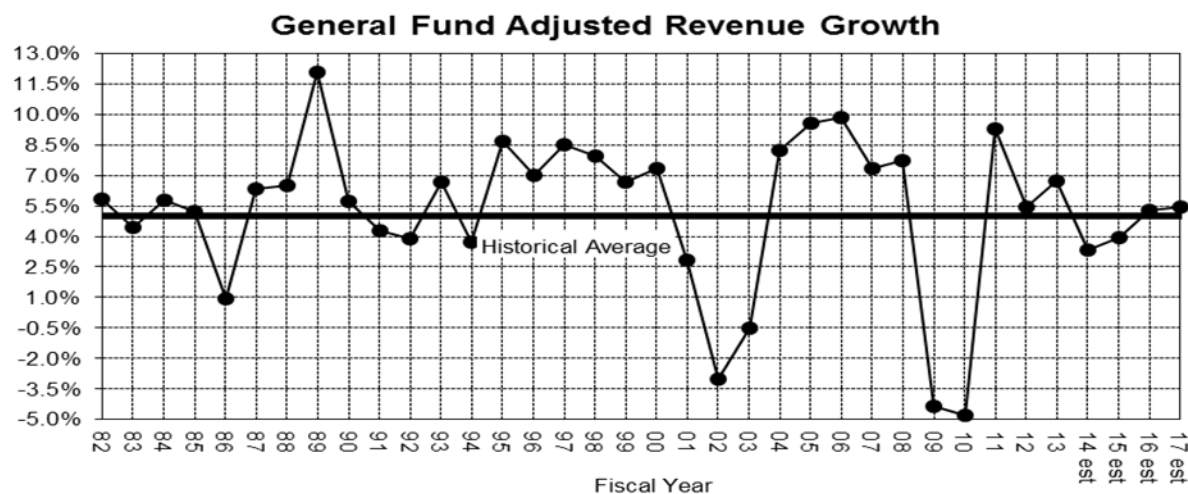
Revenue Forecasts

Revenue estimates for FY2013-14 and FY2014-15 are the October 2013 forecasts from the Nebraska Economic Forecast Advisory Board (NEFAB). These forecasts yield a projected adjusted revenue growth of 3.4% in FY13-14 and 4.0% in FY14-15, an average growth of 3.7%. While this two year growth is below the 5% historical average, the average growth for the three prior three years was 7.2%. The projected numbers for FY2013-14 and FY2014-15 also reflect initial implementation of LB84 (2011) which diverts the equivalent of ¼% sales tax to highway funding (approximately \$70 million per year). This did not impact the calculated revenue growth in the “out years” as the growth calculations are all rate and base adjusted.

The NEFAB does not make official forecasts for the following biennium or what’s commonly referred to as the “out years”. Although different methodologies could be utilized, the revenue estimates used for the following biennium (FY15-16 and FY16-17) in the current financial status are prepared by the Legislative Fiscal Office (LFO) using the “capped” historical average methodology. This “smoothing” technique derives a revenue growth for the “out years” by calculating the level of revenues that would yield a five year average growth (FY12 to FY17) roughly equal to the historical average from FY81 to FY13 (5.1%). Inherent in this methodology is the concept that within any five-year period, below average revenue growth in some years will be offset by above average growth in others and is visually seen in the line graph of historical adjusted revenue growth. Under this method, revenue growth for the two years would average 5.3%.

Table 3 - General Fund Revenue Forecasts

	Actual FY2012-13	NEFAB FY2013-14	NEFAB FY2014-15	LFO Prelim FY2015-16	LFO Prelim FY2016-17
<u>Actual/Forecast</u>					
Sales and Use Tax	1,474,942,641	1,510,000,000	1,560,000,000	1,610,000,000	1,692,000,000
Individual Income Tax	2,101,912,041	2,085,000,000	2,152,000,000	2,303,000,000	2,476,000,000
Corporate Income Tax	275,562,990	255,000,000	263,000,000	278,000,000	296,000,000
Miscellaneous receipts	199,940,938	217,000,000	200,000,000	176,000,000	164,000,000
Total General Fund Revenues	4,052,358,610	4,067,000,000	4,175,000,000	4,367,000,000	4,628,000,000
<u>Adjusted Growth</u>					
Sales and Use Tax	4.9%	4.5%	4.5%	4.1%	3.7%
Individual Income Tax	8.0%	3.9%	3.9%	6.5%	7.0%
Corporate Income Tax	9.0%	-6.5%	4.8%	5.8%	6.5%
Miscellaneous receipts	5.4%	3.6%	-0.6%	0.5%	0.5%
Total General Fund Revenues	6.7%	3.4%	4.0%	5.3%	5.4%
Two Yr Average	6.1%	-	3.7%	-	5.3%
Five Yr Average	2.4%	--	5.8%	--	5.1%



General Fund Transfers-Out

General Fund Transfers-Out accounts for funds that are transferred from the General Fund to another fund within the state treasury. These items have the same effect as an appropriation but are not expended from the General Fund as such and therefore are shown under the revenue category as transfers-out from the General Fund and subsequently expended from the receiving fund.

The Appropriations Committee preliminary budget does not include any changes from those previously enacted during the 2013 legislative session

Table 4 General Fund Transfers-Out

Excludes CRF Transfers	Actual FY2012-13	Current Biennial Budget		Following Biennium	
		FY2013-14	FY2014-15	FY2015-16	FY2016-17
Ethanol Credits (EPIC Fund)	0	0	0	0	0
Property Tax Credit Fund	(110,000,000)	(113,000,000)	(113,000,000)	(113,000,000)	(113,000,000)
Water Resources Cash Fund	(4,700,000)	(3,300,000)	(3,300,000)	(3,300,000)	(3,300,000)
Cultural Preservation Endowment Fund	0	(1,000,000)	(500,000)	(750,000)	(750,000)
Nebraska Capital Construction Fund	0	(4,000,000)	0	0	0
<i>General Fund Transfers-Out (current law)</i>	<i>(114,700,000)</i>	<i>(121,300,000)</i>	<i>(116,800,000)</i>	<i>(117,050,000)</i>	<i>(117,050,000)</i>
2014 Session Transfers-Out	0	0	0	0	0
<i>Total-General Fund Transfers-Out</i>	<i>(114,700,000)</i>	<i>(121,300,000)</i>	<i>(116,800,000)</i>	<i>(117,050,000)</i>	<i>(117,050,000)</i>

General Fund Transfers-In

Cash funds are funds which contain earmarked revenue sources and monies in those funds can only be used for the purposes authorized by statute. In many instances (since the 2009 special session) an authorized use of monies in a cash fund is transfers to the General Fund at the discretion of the Legislature. For accounting purposes, these are shown as "Transfers in" and

are included as revenues. The transfers shown below were enacted in the 2013 legislative session are already incorporated into the “Net Receipts” figures of the NEFAB forecasts.

The Appropriations Committee preliminary budget includes one additional transfer. The Governor had recommended the transfer of \$6,800,000 from the Medicaid False Claims Cash Fund to the State General Fund in July 2014 (FY 2014-15). The current balance in the fund is \$11.6 million. The Committee concurred with this recommendation.

Table 5 General Fund Transfers-In

	Actual	Current Biennial Budget		Following Biennium	
	FY2012-13	FY2013-14	FY2014-15	FY2015-16	FY2016-17
Securities Act Cash Fund	19,000,000	21,000,000	21,000,000	0	0
Tobacco Products Admin Cash Fund	7,000,000	10,000,000	10,000,000	0	0
Dept of Insurance Cash Fund	6,000,000	6,000,000	6,000,000	0	0
Dept of Motor Vehicles Cash Fund	1,000,000	0	0	0	0
Dept of Motor Vehicles Ignition Interlock	0	200,000	200,000	0	0
Mutual Finance Assistance Fund	300,000	0	0	0	0
Local Civic, Cultural, Convention Fund	75,000	0	0	0	0
<i>Transfers-In Already in forecast</i>	33,375,000	37,200,000	37,200,000	0	0
<i>2014 Transfers In</i>	0	0	6,800,000	0	0
<i>Total General Fund Transfers-In</i>	33,375,000	37,200,000	44,000,000	0	0

General Fund Appropriations - Current Biennium

The financial status shown includes the Appropriations Committee preliminary recommendation for current year deficits (FY2013-14) and adjustments for FY2014-15, the second year of the biennial budget.

Committee Preliminary Adjustments	FY2013-14	FY2014-15	2 Yr Total
DHHS-Lower FFY2015 FMAP	0	16,919,325	16,919,325
DHHS-MAGI Eligibility Rules Under ACA (SCHIP)	1,369,305	2,775,125	4,144,430
DHHS-State Disabled - Medical (net)	742,200	1,598,100	2,340,300
DHHS-ACA Section 2101F Population (SCHIP)	440,134	1,665,075	2,105,209
State Auditor-Restore Appropriations	176,669	176,669	353,338
Retirement-Defined benefit plan contributions	0	343,939	343,939
Attorney Gen-Deficit Request-Water Litigation	300,000	0	300,000
All -NETC - Radio transmission replacement project	140,000	140,000	280,000
DHHS-Lincoln Regional Center Kitchen project (net)	(884,444)	884,444	0
TEEOSA state aid, to NDE calculated per current law	0	(40,254,527)	(40,254,527)
Homestead Exemption	(6,500,000)	(6,000,000)	(12,500,000)
Medicare Part D clawback reduction	(2,800,000)	(4,800,000)	(7,600,000)
Base Adjustments, DHHS programs	(800,000)	(6,922,744)	(7,722,744)
All Other	71,395	159,294	230,689
Total Committee Preliminary Items (specific items)	(7,744,741)	(33,315,300)	(41,060,041)
Allocation for Post Hearing Adjustments	5,000,000	49,000,000	54,000,000
Total General Fund Adjustments per Financial Status	(2,744,741)	15,684,700	12,939,959

Reduced Medicaid Match Rate

The current biennial budget enacted last session, was based on a federal medical assistance percentage (FMAP) of 55.76% rate for FFY2014 and an estimated FMAP of 54.74% starting October 2014 (FFY2015). It is now known that the FFY2015 FMAP will be 53.27% or 1.47% lower than estimated last session.

The base FMAP is also used in the calculation of the enhanced Children's Health Insurance Program (SCHIP) match rate. The current biennial budget enacted last session, was based on an SCHIP FMAP of 69.03% for FFY2014 and estimated SCHIP FMAP of 68.32% for FFY2015. It is now known that the FFY2015 FMAP will be 53.27% or 1.03% lower than estimated last session.

These lower federal match rates result in a higher state match and additional General Fund appropriations. The FMAP affects multiple program as shown below.

Program	Type	FY2013-14	FY2014-15
33 Developmental disability service coordination	Oper	0	111,910
344 Childrens Health Insurance (SCHIP)	Aid	0	694,600
347 Public Assistance	Aid	0	277,331

Continued	Type	FY2013-14	FY2014-15
348 Medicaid	Aid	0	13,358,062
354 Child Welfare	Aid	0	285,939
365 Mental Health operations	Oper	0	51,494
421 Beatrice State Develop Center (BSDC)	Oper	0	188,133
424 Developmental disability aid	Aid	0	1,951,856
Total GF impact of FMAP change		0	16,921,325

Children's Health Insurance (SCHIP) ACA MAGI Eligibility Rules

The SCHIP MAGI Conversion beginning on January 1, 2014, includes a 5% FPL disregard on top of the converted income standard for the CHIP group, thus increasing the number of eligible children qualifying for coverage. This new group resulted from a clarification by CMS of program requirements under the ACA. CMS did not publish or rule on the SCHIP portion of the 5% FPL disregard until 7/15/13. Therefore, the Department did not include any request for these funds in the FY2013-2015 budget submittal. These funds will be needed to cover the additional enrollees as coverage for this group is mandatory. SCHIP would be expanded, affecting approximately 3,500 children at a cost of \$2,484 per child annually.

The 5% disregard is only applied if a child fails income eligibility. For example, if the child's MAGI is 217%, they would be ineligible for CHIP. However, when the 5% MAGI disregard is applied, their MAGI is now 212% ($217\% - 5\% = 212\%$) and they are eligible for CHIP under the 5% MAGI group. Additional costs amount to \$1,369,305 Gen Funds and \$2,977,695 Fed Funds in FY2013-14 and \$2,775,125 Gen Funds and \$5,918,875 Fed Funds in FY2014-15.

Children's Health Insurance (SCHIP) ACA Section 2101F Population

2101F Separate SCHIP is a temporary program created under Section 2101(f) of the Affordable Care Act that will run from January, 2014, through December, 2015, and will impact SFY14-SFY16. This program will cover SCHIP eligibles for one year who no longer qualify for Medicaid and SCHIP due to the conversion to MAGI methodology. This new group resulted from a clarification by CMS of program requirements under the ACA therefore, the Department did not include any request for these funds in the FY2013-2015 budget submittal. These funds will be needed to cover the additional enrollees as coverage for this group is mandatory. CHIP services would be continued for an estimated 3,000 children at a cost of \$2,484 per child annually.

The converted Marginal Adjusted Gross Income (MAGI) income eligibility for this group is 213% for CHIP and 194% for pregnant women. If a child is over this income limit they would not qualify, but this provision provides for an additional year of eligibility. Additional costs amount to \$440,134 Gen Funds and \$957,116 Fed Funds in FY2013-14 and \$1,665,075 Gen Funds and \$3,551,325 Fed Funds in FY2014-15.

State Disabled - Medical

The State Disabled Program (SDP) – Medical provides medical coverage for persons with a disability that is expected to last longer than six months but shorter than twelve months.

Historically, a look back to the original date of application allowed the State to retroactively change coding from SDP to Medicaid. Policy review determined this process was not accurate.

Due to HHS no longer retroactively changing expenses from SDP to Medicaid back to the date of application, additional state general funds are needed. The State Disabled Program – Medical has a \$3 million General Fund deficit in both FY14 and FY15. In FY14, Program 347 will be able to assume \$900,000 of the increased cost with savings from Aid to Dependent Children (\$500,000) and Aged, Blind and Disabled (AABD) Special Rates (\$400,000), and a transfer of \$1,357,800 in formerly used Medicaid General Fund match for this population bringing the remaining deficit in FY14 to \$742,200 GF. In FY15 a transfer of \$1,401,900 in formerly used Medicaid General Fund match for this population will be used to offset the deficit bringing the remaining deficit to \$1,598,100 GF.

Finance Shortfall	FY2013-14	FY2014-15	2 Yr Total
Reallocate ADC	500,000	0	500,000
Reallocate AABD special rates	400,000	0	400,000
Reallocate Medicaid GF match	1,357,800	1,598,100	2,955,900
Additional Gen Fund Appropriation	742,200	1,598,100	2,340,300
Total State Disabled Medical Shortfall	(3,000,000)	(3,000,000)	(6,000,000)

TEEOSA School Aid

The Appropriations Committee preliminary adjustments modifies the FY2014-15 budgeted TEEOSA aid amount to the level called for under the existing law. This is \$40.2 million lower than estimate at Sine Die last year and was included in the budget enacted at that time. The following table shows the total amounts for TEEOSA aid (under current law), the key data elements important in determining the total, and the dollar and percent changes.

	Actual FY2012-13	Actual FY2013-14	Current Law FY2014-15	Estimated FY2015-16	Estimated FY2016-17
<u>Key Assumptions</u>					
School Disbursements	2.5%	-0.6%	2.7%	3.7%	4.0%
Gen Fund Operating Expenditures (GFOE)	3.3%	1.6%	2.6%	3.7%	4.0%
Property Valuations (assessed)	4.3%	5.8%	8.5%	8.4%	4.0%
Property Valuations (used in formula)	2.9%	2.1%	2.1%	5.5%	4.0%
% of Valuation used in formula	92.1%	89.5%	84.3%	82.0%	82.0%
Cost Growth Factor	0.50%	2.00%	4.00%	5.00%	5.00%
Local Effort Rate	\$1.0395	\$1.0300	\$1.0300	\$1.0000	\$1.0000
<u>TEEOSA Total by Fund Source</u>					
General Funds	836,867,085	884,888,317	880,531,825	971,189,817	1,013,407,375
Insurance Premium Tax	15,000,000	21,693,014	19,400,000	22,385,000	24,444,625
Lottery funds, reorg incentives	212,958	0	0	0	0
Total TEEOSA state aid	852,080,043	906,581,331	899,931,825	993,574,817	1,037,852,000
<u>General Funds - Change over Prior Year</u>					
Dollar	32,177,998	48,021,232	(4,356,492)	90,657,992	42,217,558
Percent	4.0%	5.7%	-0.5%	10.3%	4.3%
Two Yr Avg % Change	2.5%		2.6%		7.3%
<u>All Funds - Change over Prior Year</u>					
Dollar	30,026,186	54,501,288	(6,649,507)	93,642,992	44,277,183
Percent	3.7%	6.4%	-0.7%	10.4%	4.5%
Two Yr Avg % Change	-7.4%		2.8%		7.4%

The following table shows the chronology of the TEEOSA estimates since Sine Die 2013. The amounts shown are total TEEOSA aid including amounts financed with General Funds and Insurance Premium Tax. Since Sine Die 2013 the estimates for the formula data elements and subsequent aid amount, have now been replaced with actual data that is utilized to certify the FY2014-15 TEEOSA state aid. This includes calculation of formula students, actual Annual Financial Report data which is the basis for calculating NEEDS and other receipts, and property valuations which is the basis for calculating yield from local effort rate. The result is a significant reduction in the amount of aid that is required by the formula under existing law compared to the estimate made last spring. There were two revisions in the TEEOSA number. First revision were made at the statutory joint meeting where the Department of Education (NDE), the Property Tax Administrator, the Legislative Fiscal Analyst, and the budget division of DAS are to provide an estimate for the upcoming year. The second changes occurred with the development of the NDE calculation of aid under the current law in January 2014.

	All Funds FY2013-14	All Funds FY2014-15	All Funds FY2015-16	All Funds FY2016-17
Sine Die 2013	906,581,331	940,186,352	1,035,653,344	1,080,211,844
Valuation, 2013 from 7.94% to 8.52% actual	0	(6,782,784)	(7,054,096)	(7,336,259)
Valuation; 2014 (4.0% to 8.5%), 2015 (keep at 4%)	0	0	(70,221,339)	(73,025,681)
Change factor, yield from LER used in formula	0	6,260,710	66,886,485	69,561,944
Spending growth, SFY14 3.5% to 3.72%, SFY15 stays at 4%	0	0	6,745,591	7,015,415
Revise system averaging adjustment	0	2,930,944	5,759,021	5,989,382
Revise formula NEEDS stabilization	0	1,197,189	(2,455,362)	(2,553,576)
Revise student growth adjustment	0	(1,893,464)	(1,963,901)	(2,042,457)
Revise new school adjustment	0	(5,888,735)	(6,107,796)	(6,352,108)
Change in NEEDS gained or lost in basic funding calculation	0	2,391,425	11,514,835	11,975,428
Change in Learning Community, impact of non equalization	0	(117,139)	(2,307)	(602)
Remove plug numbers	0	(427,663)	959,861	276,394
Voluntary termination in out years	0	0	(3,018,695)	(3,139,443)
Total Change - Oct 2013 Joint Meeting	0	(2,329,517)	1,042,297	368,437
Oct 2013 Joint Meeting	906,581,331	937,856,835	1,036,695,641	1,080,580,281
Actual FY13 AFR, lower disbursement growth	0	(9,554,007)	(9,909,417)	(10,305,793)
Actual FY13 AFR, lower fed categorical GFOE adjustment	0	19,860,274	20,599,076	21,423,039
Actual FY13 AFR, higher PL 81-874 impact aid GFOE adjustment	0	(10,770,195)	(11,170,847)	(11,617,680)
Actual FY13 AFR, higher retirement GFOE adjustment	0	(9,810,270)	(10,175,212)	(10,582,220)
Actual FY13 AFR, higher voluntary termination GFOE adjust	0	(6,460,699)	(6,701,037)	(6,969,079)
Actual FY13 AFR, lower redemption of debt principal GFOE adjust	0	3,227,626	3,347,693	3,481,601
Actual FY13 AFR, Lower other GFOE adjustments	0	5,416,530	5,618,025	5,842,746
Change in NEEDS gained or lost in basic funding calculation	0	(37,714,557)	(42,522,941)	(44,223,859)
Revise system averaging adjustment	0	7,378,868	7,629,422	7,934,599
Higher Student Growth Adjustment	0	2,863,564	2,970,088	3,088,892
Lower Poverty/LEP/Student Growth Corrections	0	5,705,939	5,918,200	6,154,928
Higher formula NEEDS stabilization	0	377,519	(637,889)	(663,405)
Lower effective Yield from Local Effort Rate	0	46,727,796	43,498,130	45,231,719
Higher Minimum Levy Adjustment	0	(48,613,421)	(48,613,421)	(48,613,421)
Actual FY13 AFR, higher Other Receipts	0	(4,941,484)	(1,372,064)	(1,292,738)
Higher Non Equalized Levy Aid Adjustment	0	(1,513,916)	(1,513,916)	(1,513,916)
All Other	0	(104,576)	(84,715)	(103,695)
Total Change – to NDE Jan 2014 Amount	0	(37,925,010)	(43,120,824)	(42,728,282)
Jan 2014 NDE Current Law Calculation	906,581,331	899,931,825	993,574,817	1,037,852,000
Change - Oct 2013 Joint Meeting	0	(2,329,517)	1,042,297	368,437
Change - NDE Jan 2014	0	(37,925,010)	(43,120,824)	(42,728,282)
Total Change since Sine Die 2013	0	(40,254,527)	(42,078,527)	(42,359,845)

Homestead Exemption

In the 2013 legislative session, funding for homestead exemption reimbursement was estimated at LB 195 appropriated \$71.6 million for FY2013-14 and \$74.9 million for FY2014-15. Actual tax losses certified by the counties for the current fiscal year (FY2013-14) total \$65,087,564. This allows for a \$6.5 million reduction in the amount originally estimated for FY2013-14 and provides for the certified amount plus a small amount for potential revisions since the counties may amend their requests for homestead funding at any time. Because the FY2013-14 amount was lowered, this allows for a lowering of the estimated FY2014-15 amount. It is estimated that the appropriation for FY2014-15 may be reduced from \$74.9 million to \$68.9, a reduction of \$6.0 million.

Note that the level of homestead exemption is statutorily determined. This reduction simply reflects the estimated cost of the existing program relative to the original budget estimates and does not reflect any programmatic changes.

Revised Program Costs, DHHS Programs

The Governors recommendation included three areas where an evaluation of year to date expenditures or other factors indicate excess appropriations in those programs. Actual year to date expenditure experience relates to the programs under Public Assistance, Medicaid, and administration of the Medicaid RX drug act. The Appropriations Committee preliminary budget also includes these base reductions as shown below.

Program	FY2013-14	FY2014-15	2 Yr Total
Medicaid RX Drug Act Admin (Prog 32)	(800,000)	(800,000)	1,600,000
Public Assistance (Prog 347)	0	(1,500,000)	(1,500,000)
Medicaid (Prog 348)	0	(4,622,744)	(4,622,744)
Base Adjustments, DHHS programs	(800,000)	(6,922,744)	(7,722,744)

Medicaid Part D Clawback Reduction

Mandatory state payments to the federal government to help finance the Medicaid Part D benefit for individuals eligible for both Medicare and Medicaid, known as dual eligibles has decreased. The payments are commonly called "clawback" payments. The current appropriation for this purpose is reduced by \$2.8 million in FY2013-14 and \$4.8 million in FY2014-15.

Appendix A

General Fund Mid-Biennium Budget Adjustments – Governor and Committee Preliminary

Agency	Item	Governor FY2013-14	Governor FY2014-15	Preliminary FY2013-14	Preliminary FY2014-15	Difference from Governor FY2013-14	Difference from Governor FY2014-15
Leg Council	Additional staff, Office of Inspector General-Child Welfare	NA	NA	0	152,105	0	0
Courts	Probation officer reclassification	0	0	0	0	0	0
Court	Judges' Retirement Contributions - General Fund offset	0	(709,383)	0	0	0	709,383
State Auditor	Restore Appropriations	0	0	176,669	176,669	176,669	176,669
Attorney Gen	Deficit Request-Water Litigation	300,000	0	300,000	0	0	0
Education	Education Specialist III for LEP/Poverty Plans	0	0	0	93,532	0	93,532
Education	Educator Effectiveness Administrator	0	0	0	0	0	0
Education	School Safety Education Specialist	0	0	0	0	0	0
Education	Early Childhood Technical Assistance	0	0	0	0	0	0
Education	Early Childhood Environment Rating Scales In-Depth	0	0	0	0	0	0
Education	Continued Funding of Program Specialist	0	0	0	0	0	0
Education	Continued Funding of Administrative Assistant	0	0	0	0	0	0
Education	IT Application Developer Position	0	0	0	0	0	0
Education	Network, Education and Technology Intern	0	0	0	0	0	0
Education	E-Scholar License Renewal	0	0	0	0	0	0
Education	Assessment Earmark Reduction	0	0	0	0	0	0
Education	College Ready Language Arts Standards	0	0	0	0	0	0
Education	College Ready Math Standards	0	0	0	0	0	0
Education	Lead Teacher Cap Bldg in Math and Language Arts	0	0	0	0	0	0
Education	Teacher of the Year Program Funding	0	0	0	0	0	0
Education	Teacher of the Year Program Funding	0	0	0	0	0	0
Education	School Breakfast Program	93,853	0	94,581	0	728	0
Education	Early Childhood Technical Assistance	0	0	0	0	0	0
Education	TEEOSA state aid, to NDE calculated per current law	0	0	0	(40,254,527)	0	(40,254,527)
Revenue	Homestead Exemption	(6,500,000)	(6,000,000)	(6,500,000)	(6,000,000)	0	0
Agriculture	Eliminate duplicate funding, climate study	(44,746)	0	(44,746)	0	0	0
DHHS	Base Adjustment, Medicaid RX Drug Act Admin.	(800,000)	(800,000)	(800,000)	(800,000)	0	0
DHHS	Behavioral Health Data System	0	0	0	0	0	0
DHHS	Reduce ACA behavioral health contingency set aside	0	(10,000,000)	0	0	0	10,000,000
DHHS	ACA Section 2101F Population (SCHIP)	440,134	1,665,075	440,134	1,665,075	0	0
DHHS	MAGI Eligibility Rules Under ACA (SCHIP)	1,369,305	2,775,125	1,369,305	2,775,125	0	0
DHHS	State Disabled - Medical	2,100,000	3,000,000	2,100,000	3,000,000	0	0
DHHS	Base Adjustment, Public Assistance	0	(1,500,000)	0	(1,500,000)	0	0
DHHS	State Disabled - Medical	(1,357,800)	(1,401,900)	(1,357,800)	(1,401,900)	0	0
DHHS	Base Adjustment, Medicaid	0	(4,622,744)	0	(4,622,744)	0	0
DHHS	Medicare Part D clawback reduction	(2,800,000)	(4,800,000)	(2,800,000)	(4,800,000)	0	0
DHHS	Lincoln Regional Center Kitchen , reallocate operations funds	(1,234,444)	0	(1,234,444)	0	0	0

Agency	Item	Governor FY2013-14	Governor FY2014-15	Preliminary FY2013-14	Preliminary FY2014-15	Difference from Governor FY2013-14	Difference from Governor FY2014-15
DHHS	Lower FFY2015 FMAP - Develop disability service coordination	0	111,910	0	111,910	0	0
DHHS	Lower FFY2015 FMAP - Childrens Health Insurance (SCHIP)	0	694,600	0	694,600	0	0
DHHS	Lower FFY2015 FMAP - Public Assistance	0	277,331	0	277,331	0	0
DHHS	Lower FFY2015 FMAP - Medicaid	0	13,358,062	0	13,358,062	0	0
DHHS	Lower FFY2015 FMAP - Child Welfare aid	0	285,939	0	285,939	0	0
DHHS	Lower FFY2015 FMAP - Mental Health operations	0	51,494	0	51,494	0	0
DHHS	Lower FFY2015 FMAP - Beatrice State Develop Center (BSDC)	0	188,133	0	188,133	0	0
DHHS	Lower FFY2015 FMAP - Developmental disability aid	0	1,951,856	0	1,951,856	0	0
Corrections	Inmate medical expenses	3,200,000	3,400,000	0	0	(3,200,000)	(3,400,000)
Corrections	Inmate per diem expenses	950,000	1,050,000	0	0	(950,000)	(1,050,000)
Corrections	Infrastructure and maintenance	0	NCCF	0	NCCF	0	0
Corrections	Correctional Services inmate capacity management	1,409,625	7,709,149	0	0	(1,409,625)	(7,709,149)
Coord Comm	Community college specialist	0	0	0	0	0	0
Coord Comm	Executive Director search	0	0	0	0	0	0
Coord Comm	Leave payment upon retirement	0	0	11,000	0	11,000	0
State Colleges	Contract reporting requirements	0	0	0	0	0	0
Hist Society	Utilities	10,560	18,715	10,560	18,715	0	0
Hist Society	Archeology office and lab space	0	0	0	0	0	0
Hist Society	Storage efficiency for archeological collections	0	0	0	0	0	0
State Patrol	Medical cost payment, Regional West Medical Center	100,000	0	Cash	0	(100,000)	0
Arts Council	Hardware, Software and IT Services	0	12,210	0	12,210	0	0
Arts Council	Stipend for Review Panelists	0	0	0	0	0	0
Crime Comm.	Revise earmark funding for Program 155	0	50,000	0	50,000	0	0
Crime Comm.	Revise earmark funding for Program 155	0	(50,000)	0	(50,000)	0	0
Retirement	Statutory Contribution - School 2%	0	448,519	0	448,519	0	0
Retirement	Statutory Contribution - OPS service annuity	0	(170,042)	0	(170,042)	0	0
Retirement	Actuarially required contribution - Judges plan	0	709,383	0	Transfer	0	(709,383)
Retirement	Actuarially required contribution - State Patrol plan	0	52,774	0	52,774	0	0
Retirement	State Patrol Plan - Eliminate need for LB 137 contribution	0	(104,580)	0	(104,580)	0	0
Construction	DHHS - Lincoln Regional Center Kitchen project	350,000	884,444	350,000	884,444	0	0
Construction	NETC - Radio transmission replacement project	140,000	140,000	140,000	140,000	0	0
Construction	NETC - remove reapprop, completed projects (\$21,392)	YES	0				
Total General Fund Budget Adjustments – Specific Items		(2,273,513)	8,676,070	(7,744,741)	(33,315,300)	(5,471,228)	(42,143,475)
Allocation for Post Hearing Adjustments				5,000,000	49,000,000	5,000,000	49,000,000
Total General Fund Budget Adjustments – Specific Items		(2,273,513)	8,676,070	(2,744,741)	15,684,700	(471,228)	6,856,525

Appendix B

Summary of the FY14 / FY15 General Fund Budget with Preliminary Adjustment

	w/o Deficits FY2012-13	w/o Deficits FY2013-14	FY2013-14		2012 Session FY2014-15	FY2014-15		Change over Prior Yr		Change over Prior Yr	
			Deficits FY2013-14	With deficits FY2013-14		Midbiennium FY2014-15	With deficits FY2014-15	FY13-14 (w/o deficits)		FY14-15 (w/o deficits)	
								\$	%	\$	%
<u>Agency Operations</u>											
University/Colleges	543,449,583	567,109,821	0	567,109,821	589,576,414	0	589,576,414	23,660,238	4.4%	22,466,593	4.0%
Health & Human Services System	236,425,259	233,169,499	(2,034,444)	231,135,055	233,902,402	(448,463)	233,453,939	(3,255,760)	-1.4%	284,440	0.1%
Correctional Services	156,840,269	167,048,868	0	167,048,868	170,854,827	0	170,854,827	10,208,599	6.5%	3,805,959	2.3%
Courts	84,265,483	107,213,686	0	107,213,686	133,832,254	0	133,832,254	22,948,203	27.2%	26,618,568	24.8%
State Patrol	54,253,448	56,153,379	0	56,153,379	56,576,821	0	56,576,821	1,899,931	3.5%	423,442	0.8%
Revenue	25,642,530	25,398,331	0	25,398,331	25,912,626	0	25,912,626	(244,199)	-1.0%	514,295	2.0%
Retirement Board	29,991,325	24,290,810	0	24,290,810	46,418,580	226,671	46,645,251	(5,700,515)	-19.0%	22,354,441	92.0%
Other 39 Agencies	128,743,065	134,847,602	453,423	135,301,025	138,042,450	503,231	138,545,681	6,104,537	4.7%	3,698,079	2.7%
Total-GF Operations	1,259,610,962	1,315,231,996	(1,581,021)	1,313,650,975	1,395,116,374	281,439	1,395,397,813	55,621,034	4.4%	80,165,817	6.1%
<u>State Aid to Individuals/Others</u>											
Medicaid	644,573,194	710,247,560	(4,157,800)	706,089,760	773,561,292	2,533,418	776,094,710	65,674,366	10.2%	65,847,150	9.3%
Child Welfare Aid	153,774,584	156,756,327	0	156,756,327	138,879,572	285,939	139,165,511	2,981,743	1.9%	(17,590,816)	-11.2%
Public Assistance	108,524,785	107,116,945	2,100,000	109,216,945	108,181,405	1,777,331	109,958,736	(1,407,840)	-1.3%	2,841,791	2.7%
Developmental disabilities aid	101,878,371	109,173,012	0	109,173,012	126,248,291	1,951,856	128,200,147	7,294,641	7.2%	19,027,135	17.4%
Behavioral Health aid	75,133,219	70,759,664	0	70,759,664	57,344,214	0	57,344,214	(4,373,555)	-5.8%	(13,415,450)	-19.0%
Childrens Health Insurance (SCHIP)	13,107,750	17,638,937	1,809,439	19,448,376	22,425,227	5,134,800	27,560,027	4,531,187	34.6%	9,921,090	56.2%
ACA Contingency	0	0	0	0	10,000,000	0	10,000,000	0	--	10,000,000	100.0%
Aging Programs	7,999,438	8,229,427	0	8,229,427	8,463,465	0	8,463,465	229,989	2.9%	234,038	2.8%
Higher Ed Student Aid programs	6,993,156	7,308,156	0	7,308,156	7,353,156	0	7,353,156	315,000	4.5%	45,000	0.6%
Public Health Aid	4,790,612	6,040,612	0	6,040,612	5,890,612	0	5,890,612	1,250,000	26.1%	(150,000)	-2.5%
Community health centers	3,758,060	4,058,060	0	4,058,060	4,058,060	0	4,058,060	300,000	8.0%	0	0.0%
Business Innovation Act	7,156,396	6,760,000	0	6,760,000	6,760,000	0	6,760,000	(396,396)	-5.5%	0	0.0%
All Other Aid to Individuals/Other	7,980,123	8,803,123	0	8,803,123	8,862,373	0	8,862,373	823,000	10.3%	59,250	0.7%
Total-GF Aid to Individuals/Other	1,135,669,688	1,212,891,823	(248,361)	1,212,643,462	1,278,027,667	11,683,344	1,289,711,011	77,222,135	6.8%	76,819,188	6.3%
<u>State Aid to Local Govts</u>											
State Aid to Schools (TEEOSA)	836,867,085	884,888,317	0	884,888,317	920,786,352	(40,254,527)	880,531,825	48,021,232	5.7%	(4,356,492)	-0.5%
Special Education	193,893,842	203,588,534	0	203,588,534	213,767,961	0	213,767,961	9,694,692	5.0%	10,179,427	5.0%
Aid to Community Colleges	87,870,147	91,384,953	0	91,384,953	95,040,351	0	95,040,351	3,514,806	4.0%	3,655,398	4.0%
Homestead Exemption	72,500,000	71,600,000	(6,500,000)	65,100,000	74,900,000	(6,000,000)	68,900,000	(900,000)	-1.2%	(2,700,000)	-3.8%
Aid to ESU's	14,051,761	14,051,761	0	14,051,761	14,051,761	0	14,051,761	0	0.0%	0	0.0%
Early Childhood programs	0	5,915,962	0	5,915,962	5,915,962	0	5,915,962	5,915,962	#DIV/0!	0	0.0%
Other Aid to Local Govt	11,188,037	12,785,537	94,581	12,880,118	14,976,237	(50,000)	14,926,237	1,597,500	14.3%	2,140,700	16.7%
Total-GF Aid to Local Govt	1,216,370,872	1,284,215,064	(6,405,419)	1,277,809,645	1,339,438,624	(46,304,527)	1,293,134,097	67,844,192	5.6%	8,919,033	0.7%
<u>Capital Construction</u>	20,772,233	25,830,024	490,000	26,320,024	28,310,000	1,024,444	29,334,444	5,057,791	24.3%	3,504,420	13.6%
<u>Total General Funds</u>	3,632,423,755	3,838,168,907	(7,744,801)	3,830,424,106	4,040,892,665	(33,315,300)	4,007,577,365	205,745,152	5.7%	169,408,458	4.4%

Appendix C

General Fund Spending Assumptions - Following Biennium

<i>Dollar Changes from FY14 Base Year</i>	FY16	FY17	2 Yr Avg	FY2015-16	FY2016-17
FY2013-14 Base Appropriation				4,040,892,665	4,040,892,665
TEEOS School Aid (TEEOSA)	10.0%	4.2%	7.1%	92,481,992	134,980,867
Special Education	2.5%	2.5%	2.5%	5,344,199	10,822,003
Community Colleges	3.5%	3.5%	3.5%	3,287,488	6,690,038
County Juvenile Services aid	3.0%	3.0%	3.0%	2,000,000	2,000,000
Homestead Exemption	3.0%	3.0%	3.0%	2,247,000	4,561,410
Aid to ESU's	2.5%	2.5%	2.5%	351,294	711,370
Medicaid	8.4%	7.9%	8.1%	64,617,097	130,780,476
Public Assistance	6.0%	6.0%	6.0%	6,490,884	13,371,222
Children's Health Insurance (CHIP)	-50.6%	-36.0%	-43.3%	(11,343,108)	(15,336,949)
Child Welfare Aid	6.0%	6.0%	6.0%	4,166,387	8,457,766
Developmental Disability aid	4.0%	4.0%	4.0%	5,049,932	10,301,861
Behavioral Health aid	-5.7%	3.0%	-1.4%	(3,279,674)	(1,657,737)
ACA Contingency	--	--	--	0	(5,000,000)
Employee Salaries	2.5%	2.5%	2.5%	25,679,265	52,000,513
Employee Health Insurance	10.0%	10.0%	10.0%	15,228,217	31,979,256
Operations increases	2.0%	2.0%	2.0%	5,730,464	11,575,538
Inmate per diem costs	3.0%	3.0%	3.0%	1,367,115	1 2,775,244
ACA implementation (operations)	--	--	--	2,312,500	0
Juvenile Services reform (LB561-2013)	3.0%	3.0%	3.0%	703,176	1,427,447
Construction	--	--	reaffirm only	(1,585,000)	(6,571,000)
All Other			na	(207,963)	(207,963)
Total General Fund Increases (Biennial Basis)	5.5%	4.1%	4.8%	220,641,267	393,661,361
Projected Appropriation per Financial Status				4,261,533,932	4,434,554,026

Note that these calculations do not include the annualized impacts of 2014 budget actions which are shown separately on the financial status

About 37% the total projected budget increase in the next biennium is TEEOSA school aid as projected under the current statute. General Funds for TEEOSA school aid is projected to increase by 10.0% in FY16 and 4.2% in FY17. The larger growth in FY16 reflects the change in the local effort rate (LER) which returns to \$1.00 after two years at \$1.03 and \$1.025.

Another 32% of the projected increase is in Medicaid with an average growth of 8.1% per year. This reflects projected growth of 4.5% per year for population client eligibility and utilization and 3% per year for provider rates. Also included in this number are annualized impacts of the Affordable Care Act (ACA) as it phases in to full implementation..

The large decline in the Children's Health Insurance program is the result of an expanded federal match rate (23%) from the Affordable Care Act. For FFY2015 to FFY2019 the federal match rate for SCHIP increases from an estimated 68% to 91%

Aid to Local Governments

State Aid to Schools (TEEOSA): The estimates for FY16 and FY17 are based on the same methodology utilized for the November 15 estimates required under current law for the proposed biennial budget but with Fiscal Office assumptions and should be considered Fiscal Office estimates. They are based on the statutory changes made in LB407 as enacted in the 2013 session.. The estimates reflect a growth in overall school aid of 10% in FY16 and 4.2% in FY17.

In the following biennium, TEEOSA aid increases as parts of LB407 expire. Most significant is the local effort rate (LER) which returns to \$1.00 after two years at \$1.03 and \$1.025.

Special Education: Increases for FY15-16 and FY16-17 reflect a 2.5% per year increase. Although statute allows for a growth up to 5% the 2.5% is equal to the basic allowable growth rate under the K-12 school spending limitation and TEEOSA calculations.

Aid to Community Colleges: A 3.5% per year annual increase is included for the following biennium budget reflecting increased state aid to support operations budget increases. This increase amounts to about a \$3.3 million per year increase.

Homestead Exemption: A 3% per year annual increase is included for the following biennium budget reflecting some level of inflationary increases.

Aid to ESU's: The amount of aid to ESU's is based on funding of a certain level of core services and technology infrastructure. Growth in aid is set at the same rate as the basic allowable growth rate under the K-12 school spending limitation (2.5% per year).

Aid to Individuals

Medicaid: For the following biennium, the average growth is 8.1% per year. This reflects projected growth of 4.5% per year for population client eligibility and utilization and 3% per year for provider rates. Also included in this number are annualized impacts of the Affordable Care Act (ACA) as it phases in to full implementation.

Public Assistance and Child Welfare: A basic growth rate of 6.0% per year is utilized for the various Public Assistance programs for the following biennium. This reflects projected growth of 3% per year for population client eligibility and utilization and 3% per year for provider rates.

Children's Health Insurance (CHIP): For the following biennium, a 7.5% per year increase is used which is the same as Medicaid. However the large decline is then the result of an expanded federal match rate (23%) from the Affordable Care Act. For FFY2015 to FFY2019 the federal match rate for SCHIP increases from an estimated 68% to 91%.

Developmental Disability Aid: A 4% per year increase is included. This provides the equivalent of 2.5% per year for rate equity similar to the employee salary assumption and 1.5% for clients transitioning from K-12 programs. As this projected budget assumes no expanded programs, nothing is assumed for funding of the waiting list.

Behavioral Health Aid: This area includes substance abuse and mental health aid. The increases in the following biennium reflect a 3% increase to reflect some annual increase in provider rates. Savings related to insurance coverage for behavioral health under the Affordable Care Act (ACA) go from \$15 million in FY2014-15 to \$20 million in both FY16 and FY17.

ACA Contingency: The FY14-15 budget included a \$10,000,000 contingency appropriation if budgeted savings in the behavioral health program did not occur as planned. The amount allocated to the ACA Contingency program stays at \$10,000,000 in FY16 and then declines to \$5,000,000 in FY17 and then zero in FY18.

Agency Operations / Construction

Employee Salary Increases: Although salary increases will be the result of bargaining, some level of increase is factored in more for illustration than planning purposes. A 2.5% per year increase is included which approximates inflation and the current biennium funding.

Employee Health Insurance: For planning purposes, a 10% per year increase in health insurance is included for the following biennium. Because rates have been flat for the past several years due to coverage and program changes and drawing down fund balances, this higher growth is utilized to anticipate a potential hike in rates.

Operations Inflation: Included in the projected status is a general 2% increase in agency non-personnel operating costs. Although not provided as an across the board increase, this amount historically covers increases in utility costs at state and higher education facilities as well as food and other inflationary cost increases at 24/7 state facilities such as veterans homes, BSDC, etc...

Inmate Per Diem Costs: While some costs at the Dept of Correctional Services such as staffing are “fixed” within a range of inmate population, some costs change directly with each inmate. This includes items such as food, clothing, and medical care. A 3% per year increase is included to reflect both inflationary costs and an increase in the number of inmates.

Defined Benefit Retirement Plans: The budget incorporated the changes enacted through LB553 (2013) and assume no change in state funding from the level established in FY14.

Juvenile Services reform: LB561 passed in the 2013 session made many significant changes in the juvenile justice system. The bill expands the Nebraska Juvenile Service Delivery Project statewide in a three-phase process with the transfer of such funds to take place on July 1, 2013, January 1, 2014, and July 1, 2014. After July 1, 2013, the Office of Juvenile Services within the Dept of Health and Human Services (HHS) will only have responsibility for the Youth Rehabilitation Centers at Kearney and Geneva. The shift of funding includes about \$23 million that had previously been budgeted under child welfare aid. For purposes here, a 3% per year increase is included in operations for those amounts that had previously been included under child welfare aid.

Capital Construction: General Fund dollars included in the projected budget for the following biennium for capital construction reflect reaffirmations only based on projects funding in the FY14/FY15 biennial budget. These are dollar amounts needed to complete funding of previously approved projects.